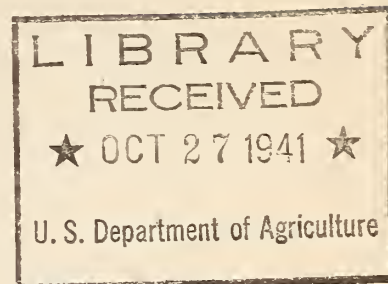


Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service

1.942
C3C82



THE COTTON MARKET AT VICTORIA, TEXAS

By
R. C. Soxman
Agricultural Economist

Washington, D. C.
August 1941

CONTENTS

	Page
Purpose of study	1
Method of conducting study	2
Development of the Victoria market	2
Organizational features	5
Area served by market	7
Volume of cotton handled	8
Operation of the market	12
Services performed by ginnerers	12
Official classification of the cotton	13
Steps preliminary to sale	14
Terms of sale	14
Number and types of buyers	15
Procedure in selling	17
Distribution of proceeds of sales	18
Delivery of lots to buyers	21
Collection of sales accounts	22
Prices received	23
Relation of Victoria prices to Houston prices	23
Relation of price to size of lots sold	26
Relation of price to market outlets of buying firms	28
Relation of price to number of bidders	30
Attitude of growers toward market	31
Tentative marketing plans for 1941-42 season	38
Factors contributing to growth of market	42
Summary and conclusions	44
Appendix	51

THE COTTON MARKET AT VICTORIA, TEXAS

by

R. C. Soxman
Agricultural Economist 1/

PURPOSE OF STUDY

Cotton farmers in the vicinity of Victoria, Tex., have organized a local cotton market which has received considerable attention and publicity. There, members of the Victoria Cotton Improvement Area usually sell cotton together in sizeable lots to buyers submitting bids under the supervision of a sales manager. During the 1940-41 season, sales through the market amounted to more than a half million dollars.

A large number of community organizations have been formed by cotton farmers for improving local production and marketing practices, but many have been short lived. Local selling enterprises in particular have had a high rate of mortality.

In view of difficulties frequently encountered by such marketing projects, the current example of group selling at Victoria has been made the subject of a special study. There are obvious advantages to keeping farmers informed concerning activities of farmers in other sections in improving local sales practices. Such an exchange of ideas is likely to encourage progress in correcting undesirable marketing conditions and to aid projects newly formed or in the process of organization.

The chief objectives of this study were:

1. To examine objectively the organizational structure and sales procedures.
2. To measure the effectiveness of the sales program in accomplishing intended purposes.
3. To provide information on features contributing to the growth of the market.

1/ This study was planned and conducted under the direction of John W. Wright, in charge, Marketing Research Section, Cotton Division. The study was made possible by the cooperation of the management of the market, cotton buyers, ginner, and farmers.

In 1939, a branch classing office had been established at Victoria by the United States Department of Agriculture in connection with an experimental marketing program. This local classing service was continued during the 1940-41 season primarily to facilitate the present study.

The market at Victoria is not recommended as a rigid model to be copied in detail by other communities. Methods used there have been developed to meet a definite set of circumstances although some features of the program, no doubt, are adaptable to many localities.

METHOD OF CONDUCTING STUDY

Information relative to the market during the 1940-41 season was collected from several sources. Most of the information, however, was obtained by observing the actual operation of the market and from personal interviews with interested parties.

Statistics on volume of sales, selling prices, and similar operating details were made available by the market manager. Copies of sales accounts were supplied daily and other records were obtained at the end of the season.

DEVELOPMENT OF THE VICTORIA MARKET

Farmers in the vicinity of Victoria have attempted to increase their cash income from cotton through a coordinated program of production and marketing of a high-yielding variety of cotton of desirable quality. Although the one-variety plan preceded the marketing phase by a brief interval, in reality the two have been largely dependent one on the other.

Locally, one-variety groups were called "blocks," the name referring to a solid ginning block or a group with sufficient production to require the services of one or more gins. The first block in Victoria County was organized in 1937 by 23 farmers according to the following plan:

1. Each member to plant his entire cotton acreage to the adopted variety.
2. Final approval of farmers as members subject to inspection of fields by officers of the block.
3. All production to be hauled to a designated gin accepting no other patronage.
4. All members to plant 15 percent of acreage each season with seed direct from breeder.
5. New members to be admitted by application.

No additional blocks were formed in 1938, but nine new blocks were organized in 1939. All were patterned somewhat after the original block, and six adopted the same variety of cotton. In 1940 the number of blocks increased to a total of 12. In 1938 and in each succeeding year, all blocks applied and were approved for the free classification and market news services provided by the Agricultural Marketing Service to groups of farmers organized for cotton quality improvement. 2/

Several blocks did not obtain a large enough membership to make exclusive ginning arrangements. Nevertheless, the example of the original block in this respect greatly stimulated the program, since ginners aided in organizational work in order to secure an assured volume of patronage.

Changes in marketing methods also date back to 1937. Early sales at the gin by the original block had brought prices little different from those prevailing at nearby points, and members decided to pool their cotton for sale twice each week. A sample from each bale ginned was drawn for display at the gin office and the buyers who normally purchased from the ginner were invited to attend and submit sealed bids. Sales were supervised by a committee of three members with the ginner acting in an advisory capacity. On each successive sales day, one member of the previous committee was retained and two others were added. This manner of rotation permitted all members to serve and yet always provided the committee with one experienced member. These sales were highly satisfactory, and the greater part of the cotton produced by members of the block that season was disposed of in this manner.

2/ These services were made available under the terms of Public No. 28, 75th Congress, commonly known as the Smith-Doxey Act.

Sales days were not held in 1938, as the block was selected for participation in the Cotton Export Program of the Agricultural Adjustment Administration. ^{3/} All bales ginned by the block that year were wrapped with cotton bagging. The cotton was classed on press-box samples at the gin by a temporary classer employed by the Agricultural Marketing Service.

The sudden expansion of the one-variety program in 1939 complicated the marketing situation. Each block, when formed, had intended to hold semi-weekly sales at the gin; but the number of blocks became too large for all to use this method without conflicts in selling dates. The need for a central sales agency was obvious, and the Victoria Cotton Improvement Area was established to provide a county-wide market.

Plans were perfected for selling regularly at a central location by sealed bids. A local cotton broker was selected to serve as sales manager. Most ginneries agreed to discontinue purchases from block members. All blocks endorsed the project and pledged their cooperation.

The proposed method of sale was not put to a full test during 1939, as most blocks entered the One-Variety Cotton Export Program, a marketing project similar to the one of the prior season but administered on an enlarged scale. About 53 percent of the cotton handled through the market during the 1939 season went into the export program. The remaining 47 percent was sold to trade buyers according to the original plan of selling.

Prior to harvesting time in 1940, the sales organization decided to rely solely on commercial outlets for marketing the approaching crop. Prompting this move was the desire to test the basic soundness of the organization by a thorough trial.

^{3/} In June 1940, this work was transferred to the newly established Surplus Marketing Administration.

ORGANIZATIONAL FEATURES

The Victoria Cotton Improvement Area operated in 1940 as an informal federation of the one-variety blocks in Victoria County together with several blocks in adjoining counties. Affiliation with the central body by individual blocks was voluntary and required only that members of blocks pledge to cooperate with the sales program and to conform to the established procedure. Membership involved no dues, and individual members were not liable for assessments. The association carried no insurance policies, and bonds were not required of any of the officers.

The association was governed by a board of directors consisting of all directors of each block. An executive committee, comprised of one representative from each block, acted on problems requiring immediate attention. Most important matters, however, were referred to each local unit for final decision.

The basic structure seems meager; but strong central control was not needed, since the blocks had been organized for the purpose of serving as separate marketing units. Although the association, as such, guided production into a common channel, arranged for marketing facilities, and planned the sales procedure, individual blocks accepted many responsibilities in connection with the sales program.

In making arrangements for ginning, each block acted independently and was guided in its selection mainly by location and accessibility. The 15 blocks had agreements with 15 gins, one block utilizing the facilities of 2 gins and 2 blocks sharing a double-battery plant. Ginning agreements made by 12 blocks provided members with exclusive rights to equipment handling no other cotton.

In operating the market, the association neither owned nor leased any facilities. The actual task of management was delegated to a broker who also supplied office quarters and necessary personnel and paid all expenses incurred in conducting sales.

The agreement with the broker has been made each year at an open meeting. This agreement between the broker and the association has been verbal and subject to cancellation by either party at any time. Payment for the services of the broker has been on a fee basis, his commission for the 1940-41 season being 35 cents per bale. Among other duties and restrictions imposed on the broker by the contract were:

1. To sell by competitive bidding in a manner and on terms considered most favorable to members.
2. To make prompt net returns on the basis of individual bale qualities as indicated by the official Government classification.
3. Not to act as principal in any transaction.
4. To serve as collection agent for holders of liens on bales handled at the market.

The building where sales were held was owned by the broker and had been constructed especially for use as a cotton brokerage office (fig. 1). Office equipment in addition to furniture and sample trays included an adding and a calculating machine, a safe, and filing cabinets.

In conducting sales during the 1940-41 season, the broker employed a bookkeeper, four clerks, and a laborer. The bookkeeper, having worked many years in the cotton trade, also acted as assistant manager.

Records kept at the office were held to a minimum. Forms adopted in 1940, the use of which will be outlined later, were: 4/

1. The gin invoice.
2. Form for use of buyers in listing bids.
3. Confirmation sheet.
4. Sales invoice.
5. Distribution form.

Rules and regulations were established to govern sellers and buyers. Such regulations were designed chiefly (1) to increase volume of cotton handled, (2) to assure prompt delivery of samples to the office, and (3) to allow sales machinery to function efficiently.

Several rules were adopted to bring cotton to the market in sufficient volume to repay the broker for his services and attract bidders. One permitted farmers and ginnermen outside the program to sell at the market on the same terms as members. Another was the safeguard provided for the protection of creditors. In order to encourage a steady flow of deliveries, the broker

4/ These forms are illustrated on pages 51 and 52 in the appendix.



Figure 1. - Sales Office of Victoria Cotton Improvement Area at Victoria, Tex.

The office personnel is assembled in front of the building. Note the samples being delivered from a gin by truck.

collected for holders of duly substantiated liens against bales sold at the market.

The cooperation of ginnerers was solicited in solving problems connected with assembling samples. According to agreement, ginnerers not only drew samples but delivered them daily to the sales office at their own expense.

Certain features of the plan were designed to maintain operation at an efficient level. In order to facilitate selling, receipts were not sorted into even-running lots, but each lot usually was sold separately soon after arrival. Farmers were requested to conform to a definite plan of selling. Those in each block were expected to sell daily as a group so that incoming lots would be of sufficient size to attract buyers. They were required to waive confirmation of sales prices and to depend upon the broker to exercise his judgment for their best interests. They were requested also not to call for checks at the office in person but to wait until the checks were returned to the gins.

AREA SERVED BY MARKET

The Victoria market area is located in the coastal prairie region of south Texas. The town is the county seat of the county bearing the same name and by highway is about 93 miles northeast of Corpus Christi and 125 miles southwest of Houston.

This section is primarily agricultural, but the chief use of land is for grazing, the area in range land in the county being several times greater than that in crop land. Cotton is the major cultivated crop, and ginnings in Victoria County for the 5 crop years 1936-40 have averaged slightly less than 11,000 bales.

Formerly, most of the cotton crop in the county was sold by farmers at the gins and a considerable number of them still sell in this way. In most bordering counties, ginner buying has not been so prevalent.

During the 1940-41 season, 602 farmers with a total cotton production of about 11,400 bales were members of the association. Most of the cooperating blocks were located within a comparatively small area (fig. 2). Of the 15 member blocks, 11 were in Victoria County and patronized gins situated not more than 15 miles by road from the sales office. The scattered ginning locations of the four out-of-county blocks, however, gave the agency a total tributary territory of considerable size.

Several factors tended to limit the market area. One of these was that the association had not made strenuous efforts to expand the out-of-county membership. Another was that the one-variety movement was less advanced in surrounding counties. Also, difficulties connected with shipping samples, making payment to farmers, and keeping them informed with respect to the market increased greatly with distance.

In 1940, most blocks within the general boundaries of the market area, supported the sales program. In Victoria County, 11 of the 12 existing blocks used the market. Only 4 of the 6 adjoining counties have types of soil and grow cotton of a character of lint similar to that in the vicinity of Victoria. In these counties, 10 blocks had applied for the classing service provided by the Smith-Doxey Act and 4 of these blocks were allied with the sales agency.

As a market for this area, the town of Victoria is well situated. It is a popular trading and banking center for farmers and can be reached from a majority of the block ginning points almost entirely by paved highways. Two railroad lines enter the town and supply rail connections with practically all gins. The local compress is the usual consolidation or concentration center for the area.

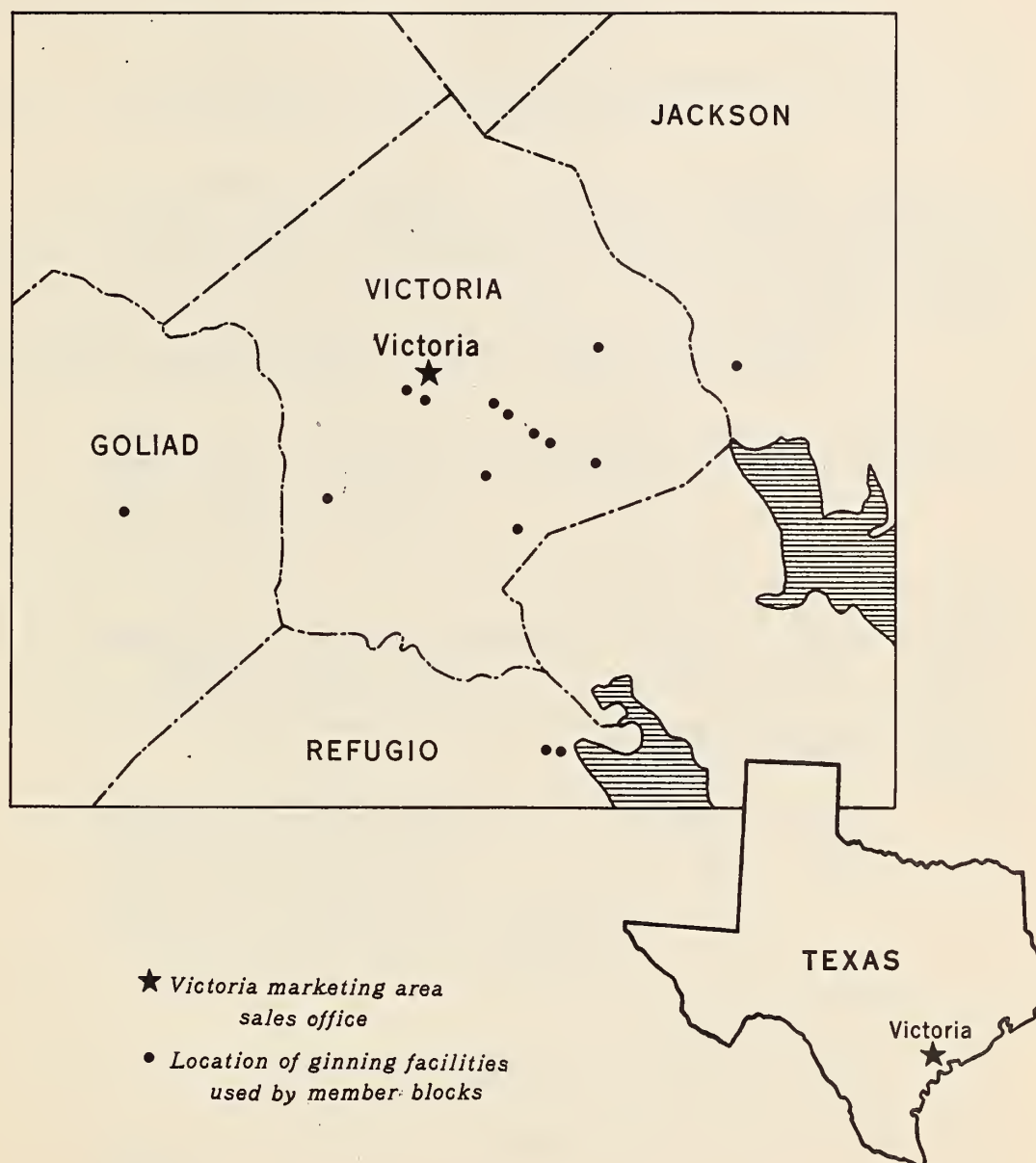
VOLUME OF COTTON HANDLED

During the 1940-41 season, approximately 11,000 bales were sold through the Victoria market. ^{5/} This volume was less than the total originally anticipated. It was curtailed somewhat by unfavorable growing conditions in a few localities and by the diversion of the cotton to the Government loan.

About 7,500 bales of those handled were produced by the 15 member blocks. Although the sales plan favored by the association contemplated that members would sell in pooled lots, the cotton was actually sold in the market in several different ways as follows:

^{5/} Data relative to volume and type of receipts were transcribed from the gin invoices. Therefore statistics presented here possibly might differ slightly from a compilation made from invoices of sales.

LOCATION OF AREA SERVED BY THE VICTORIA MARKET



TOP SECTION SHOWS GEOGRAPHIC LOCATION OF GINNING POINTS USED BY THE 15 MEMBER BLOCKS
WITH RESPECT TO THE SALES OFFICE AT VICTORIA

FIGURE 2. - TOP SECTION SHOWS THE GEOGRAPHIC LOCATION OF VICTORIA, TEXAS. BOTTOM SECTION SHOWS GEOGRAPHIC LOCATION OF GINNING POINTS USED BY THE 15 MEMBER BLOCKS WITH RESPECT TO THE SALES OFFICE AT VICTORIA.

1. Pooled lots from farmers.
2. Lots from individual farmers.
3. Lots from ginner for resale after purchase from farmers.
4. Pooled lots containing both bales from ginner for resale and from farmers for original sale.

The 4,335 bales sold for farmers in pooled lots were 58 percent of the total receipts from blocks and represented the normal functioning of the agency as outlined by the association and endorsed by most members (table 1). Every block shipped some lots in this manner, and 7 followed this system in making more than three-fourths of their total deliveries.

Table 1. - Cotton sold at Victoria market originating from member blocks, by ownership and composition of lots, season 1940-41

Receipts of cotton produced by member blocks from --	: Lots sold	: Bales sold	: Average size of lots
	: Number	: Bales	: Bales
Farmers in pooled lots	340	4,335	13
Farmers as individuals	220	955	4
Ginners for resale	67	877	13
Ginners for resale and farmers for original sale in pooled lots	95	1,333	14
Total or average	722	7,500	10

Data tabulated from primary records of the marketing agency.

Lots submitted by individual farmers accounted for about every eighth bale originating from the blocks. Although only three blocks marketed as much as one-fourth of their production in this manner, this practice reached undesirable proportions at times. Farmers crowding into the office in numbers, each bringing his own samples, often disrupted the normal routine of sales.

Ginners for four blocks bought from members but resold the cotton promptly at the agency. Lots containing only bales from ginners for resale were received almost entirely from two ginners.

At three of these ginner-buyer points, bales bought from members were often combined with those of farmers desiring to sell at the market. These mixed lots represented the second largest volume of receipts from blocks. Of the 1,333 bales marketed jointly, about 723 bales were already the property of ginners. By grouping ginnings into a single daily shipment, regardless of ownership, sizes of lots were kept larger, to the mutual advantage of all concerned.

All sales by members totaled 5,900 bales, or about 79 percent of all bales grown by members entering the market. The remaining 1,600 bales produced by members arriving at the market were received from ginners.

Of the total sales of 11,000 bales, about 3,500 bales, or nearly one-third, were from outside sources, mostly from ginner-buyers.

During the 1940-41 season, nearly three-fourths of the cotton ginned in Victoria County passed through the market. Disregarding any distinction as to block or outside origin, approximately 55 percent of all sales were by farmers.

The effectiveness of the marketing machinery depended in part upon the size of lots arriving for sale. The broker recognized the advisability of large lot sales, since buyers bidding at the market were accustomed to dealing only in sizeable offerings. Sales of a few bales at a time might inconvenience buyers and result in lower prices. In handling numerous small lots, certain accounting operations were increased considerably. The adopted plan appeared the most practical, however, since further combinations might have delayed payment or caused bales of unlike variety or strain to be grouped together.

A summary of receipts from blocks by size of lots showed that a little more than one-half of this total volume was sold in lots of more than 15 bales, and about one-fifth was received in lots of from 21 to 30 bales (table 2). Nearly half of the volume handled for other than individual farmers, was in lots of more than 20 bales. On the other hand, almost one-third of receipts from individual farmers entered the market in lots of 5 bales or less.

Table 2. - Proportion of bales produced by member blocks sold at Victoria market in lots of specified sizes, by ownership and composition of lots, season 1940-41

Size of lot	Proportion of receipts of block-grown production from --				
	Farmers	Farmers	Ginners	Ginners	All cotton
	in	as	for	resale and	from
	pooled lots	individuals	resale	farmers for original sale in combined lots	member blocks
Bales	Percent	Percent	Percent	Percent	Percent
1	-	10.6	0.6	-	1.4
2 - 5	8.1	21.8	5.8	3.4	8.7
6 - 10	16.5	27.0	12.0	19.2	17.8
11 - 15	14.9	16.4	22.9	18.7	16.8
16 - 20	13.7	5.9	11.9	11.6	12.1
21 - 30	19.4	4.4	22.8	27.4	19.3
31 - 40	10.6	-	12.5	19.7	11.1
41 - 50	6.1	-	5.5	-	4.2
51 and more ..	10.7	13.9	6.0	-	8.6
Total	100.0	100.0	100.0	100.0	100.0

Data tabulated from primary records of the marketing agency.

Except for farmers who sold as individuals, bales received from blocks usually arrived in lots of desirable sizes. Some small shipments were unavoidable at the beginning and toward the end of the ginning season, and in several communities the daily ginning volume was affected adversely by low yields.

OPERATION OF THE MARKET

Services Performed by Ginners

A description of sales procedure should include an account of duties accepted by ginners in connection with the sales program. Services performed by most block ginners were: (1) Sampling, (2) delivery of samples to sales office, (3) weighing, (4) delivery of bales to buyers, and (5) distribution of proceeds of sales to members. Since the last three functions related to the more advanced stages of the market's operation, these will be discussed later.

When cotton was marketed through the export programs, ginners had provided samples, since only those drawn from the press box were acceptable. In 1940, ginners agreed to continue this service at no cost to members. Ginners usually drew duplicate samples, one for selling, and the other for the official Government classification.

Nearly three-fourths of the selling samples received from blocks were taken from the press box (table 3). The remainder was divided fairly evenly between samples out at the gin and at the local oompress. Since press-box samples were acceptable for classing under the provisions of the Smith-Doxey Act, about 92 percent of all samples submitted for this service were of this type.

Table 3. - Proportion of selling and classing samples arriving at the Victoria market from member blocks, by type of sample, season 1940-41

Type of sample	Proportion of samples received	
	For	For
	sale	classing
	Percent	Percent
Taken at press box	74.1	91.7
Cut at gin	13.6	8.3
Cut at oompress	12.3	-
Total	100.0	100.0

Based on estimates by ginners.

Samples supplied by ginnerers were taken largely at the press box, since many members were opposed to having the bagging out on bales wrapped with cotton, the bale covering used by 12 blocks. Also, ginnerers had become accustomed to drawing press-box samples and believed that this method required less time and effort.

Usually press-box samples were drawn with care and were rolled and packed in a tight mass so that they would conform more closely in appearance to cut samples.

Steps connected with identifying and wrapping samples were performed customarily by the gin manager. Cards for the Smith-Doxey class were filled out and placed in classing samples, and gin bale coupons bearing the gin name and the bale number were included in selling samples. With few exceptions, samples were rolled separately in paper wrappers and sealed with tape or by crimping the ends.

Ginnerers also filled out the gin invoices which accompanied lots offered for sale (see Exhibit A, page 51). This form was the basic record of the accounting system followed at the agency and served as a combination tag list, weight sheet, and guide for calculating and distributing payments to members. Completed gin invoices also carried notations on amounts owed by each seller to listed creditors.

As a rule, samples were delivered to the office daily. In most cases ginnerers either carried samples in their personal car or arranged for prompt shipment by reliable persons. Regardless of the method adopted, no charges were made for delivery.

Shipments normally represented ginnings for an entire day. As already stated, most ginnerers surrendered samples to individual members upon request and allowed them to deliver the samples in person. In a few instances some blocks shipped twice each day.

Official Classification of the Cotton

Samples arriving at the agency, if in duplicate, were separated and those intended for the official Government class were carried to that part of the building occupied by the classing office (fig. 3). All except one of the member blocks submitted samples from the greater part of their ginnings for classing and about 82 percent of all bales produced were officially classed in this manner. In addition, two nonmember blocks in adjoining counties utilized this office in obtaining the free quality information available to members of groups organized for cotton quality improvement.

Generally, samples were classed soon after arrival; and the classer was able, for the most part, to keep abreast of receipts. Classification of each bale was entered on the card used for this purpose, which is usually referred to as "Form 1." A class sheet was also prepared for each lot. The cards were mailed back to the respective producers, and a copy of the class sheet was returned to the ginner.

Steps Preliminary to Sale

Members were instructed not to deliver selling samples unless outright sale was desired at once. Samples, received at the office accompanied by a completed gin invoice containing no instructions to the contrary, were regarded as intended for immediate sale.

The broker preferred to lay out all selling samples personally, so that he could note the approximate grade and staple of the cotton. The samples were then counted and compared with the listings on the gin invoice. Usually, each lot was kept intact and offered for sale as received.

One exacting duty of the broker was to make decisions as to when to sell. If market conditions were favorable and buyers were active, sales were made as rapidly as possible. For the most part, attempts were made to offer lots in a manner that would enhance the competitive tone of bidding and keep buyers on hand.

Terms of Sale

In determining the marketing procedure to be followed at the agency, a major objective had been to facilitate prompt return of payments to farmers. In keeping with this policy, terms used in selling were as follows:

1. Sale of lots by recorded bids, each bid final as submitted but subject to rejection by the broker at his discretion.
2. Lots offered for sale on press-box samples.
3. Settlement of sales according to gin weights.
4. Delivery of lots to buyers f.o.b. cars at ginning points.
5. Payment of bank exchange by buyers.



Figure 3. - Interior Views of the Victoria Cotton Improvement Area Sales Office.

Upper photograph -- official classification of the cotton samples as they are received from gins.

Lower photograph -- clerks writing checks for distribution of proceeds from sales on the basis of the official classification.

The terms of sale used at the market differed somewhat from trading practices that previously had been customary. These revisions not only involved a reduction in the time interval but also attempted to increase the competitive position of the agency.

When dealing directly with ginners, buyers had purchased on samples out at the gin, with settlement based on compress weights and delivery made f.o.b. cars at the ginning points. In such transactions, bank exchange on drafts was paid by the seller.

Prices were established by the assembled buyers, each submitting undisclosed written bids instead of by open trading as formerly. This method of bargaining seemed to offer several advantages. It was believed that such sales provided a favorable level of prices, allowed frequent selling without undue loss of time, and proved equitable to both buyers and sellers. For the protection of buyers, a bid once submitted was not allowed to be withdrawn for revision. For the protection of sellers, the broker retained the privilege of turning down all bids on any lot and withdrawing it for sale until a later time.

The original plan called for delivery of press-box samples. Later efforts of the broker to have ginners revert to cutting samples from bales met with little success.

In substituting settlement on gin weights for compress weights, the sole objective was to reduce the time factor, since payments calculated on compress weights would delay completion of transactions by one or more days. Ginners met this new responsibility in good faith; and at most block gins managers attended to this duty themselves, having their scales checked with tested scales at the compress prior to the opening of the ginning season.

Delivery of bales to buyers f.o.b. cars at the gin was merely a continuation of the established custom. The usual practice of sellers paying bank exchange was reversed to simplify bookkeeping.

Number and Types of Buyers

Practically all sales were made to six buyers who were active in the market for the greater part of the season. All bought on commission, five representing firms located at central markets, the other buying for a nearby f.o.b. shipper.

All six buyers possessed long and varied experience in the cotton business, with an average of about 26 years in the trade. Most of these buyers had previously worked in this immediate territory and were well acquainted with the character of cotton grown locally.

Ginnings in this section start early. Buyers were able to be present at the Victoria market during most of the harvesting season and yet move to another section for the major crop movement there. Naturally, only the more experienced buyers attempted to compete for this limited volume of early crop movement. Several buyers continued on at Victoria longer than usual in 1940 because the crop was very late in many areas farther north.

These buyers cooperated with the association in most respects, although they disliked many of the terms employed in selling at the market. Except for one buyer, all were opposed to secret bidding and claimed that this method frequently caused buyers to purchase their "mistakes." They were adverse also to arriving at prices in this way since a bid once submitted was final. A bidder losing a desirable lot by a narrow margin had no recourse and could not reopen trading.

All buyers disliked buying on press-box samples. It was claimed that such samples often were rough in appearance, inadequate in size, and were not always representative.

Purchasing on gin weights also was regarded with disfavor. All buyers preferred to settle on compress weights, since they considered these weights more accurate. Buyers did not make a stated weight allowance for bales covered with cotton bagging although most of them claimed that the lighter tare of cotton-wrapped bales was considered in price calculations.

Buyers also disliked the considerable number of small lots placed on sale. Purchases of numerous small lots necessitated more paper work and were not favored by the firms that the buyers represented.

In contrast to the objections made, buyers stated that the market offered some compensating advantages. The system followed there permitted purchase of lots of fairly uniform quality, and buying at a central location eliminated some travel and incidental expenses.

Procedure in Selling

The selling procedure employed at the Victoria market was very informal. No definite schedule was attempted, and bidding usually continued intermittently throughout each day.

After several lots of samples were arranged for display, the broker asked for bids, announcing the sellers represented and the number of bales included in each list. The buyers usually crowded around the trays and examined the samples without delay (fig. 4). Inquiries as to varieties of cotton or types of bagging covering the bales were made of the broker, if necessary.

Buyers very rarely referred to the official Government class before buying. Practically all sales were made, therefore, on actual samples.

Current price information was received at the market several times daily. The broker provided a leased wire service that made available cotton futures market quotations. These prices reached the office regularly by telephone and were entered in a large ledger for use by buyers, the broker, and members of the marketing association. In determining price differentials applicable to grades other than Middling White and staples other than 15/16 inch, the broker depended primarily on local conceptions of quality differences.

Bids were submitted to the broker on small printed slips designed for that purpose (see Exhibit B, page 51). Buyers filled out a slip for each separate lot and handed the slips to the broker who kept them from view until all bids were in. Any bid once accepted was not returned for alteration, and the broker was insistent that buyers refrain from discussing or disclosing bids until after the sale was completed.

When all bids had been entered, the broker inspected each slip and announced the highest bidder for each lot. In case of identical high bids, the successful purchaser was determined by the flip of a coin.

If bids seemed in proper order and the high price appeared satisfactory, the winning bidder was told to book the lot. After a bid was accepted, the name of the buyer, the date of sale, and the price per pound for the lot was entered on the gin invoice. The right of rejection reserved by the broker was seldom exercised; although when bid prices were not considered in line, such lots were withdrawn and new bids were requested at some later time.

Most receipts from members carried no instructions as to price, and decision as to sale rested entirely with the broker. Most lots from nonmembers were sold subject to confirmation by owners.

The broker had available a printed confirmation form which was executed and furnished buyers, if desired (see Exhibit C, page 51). After buyers became familiar with terms of sale, these formal statements were requested in very few instances.

Distribution of Proceeds of Sales

Since pooled lots were from a number of sellers and nearly always contained several qualities, details involved in calculating a price for each bale according to quality and in writing separate checks for each seller consumed considerable time. Payment for about 91 percent of the 5,700 bales sold in pooled lots was returned on a bale quality basis. This work required the services of three clerks and demanded much of the broker's attention. During the rush period, the office frequently was not closed until midnight.

In this process, the Smith-Doxey class was used for distributing the proceeds of sales to growers on the basis of quality of individual bales. In establishing price differentials for the various qualities, the broker depended on local trade conceptions. Among grade differences allowed, a premium of 20 points was given for Strict Middling White over Middling White and a discount of 40 points was made for Strict Low Middling. For staple, each ascending increase of $1/32$ inch above $15/16$ inch was granted an added 10-point premium.

That important record -- the gin invoice -- was designed to provide space for calculating bale prices. The first step was to enter the Smith-Doxey class on the gin invoice. Smith-Doxey class cards were obtained regularly from the classing office for this purpose (table 4, columns 5 and 6).

After posting the information with respect to quality, the next step was to determine prices for the various qualities in each lot. This was performed almost exclusively by the broker.

The first operation was to select a base quality and determine its price in relationship to the lot price, the usual selection being the quality appearing most frequently (Middling 1 inch in table 4). Bales unlike the base in quality then were assigned a comparative value, as indicated by the established quality



Figure 4. - Making a Sale at the Victoria Cotton Market.

Upper photograph -- buyers examining a lot of samples being displayed for sale.

Lower photograph -- broker comparing bids submitted for a lot preparatory to announcing the winning bidder.

differences (table 4, column 4). These differences were totaled, and the net sum was divided by the number of bales in the lot. The resulting figure expressed the extent, in points, to which the lot varied in value on the average, from that of the base quality. By subtracting this figure from the lot price, if plus (or adding it, if minus), an adjusted price for the base quality was obtained.

After pricing the one quality, prices for other qualities were established by applying the same differences for each quality to the price for the base quality that were used in calculating the lot average. This allotted each bale a price dependent upon its quality as related to that for the entire lot (table 4, column 7).

Next, each bale price was multiplied by the bale weight to give the gross amount due for payment (table 4, column 8). Although the total gross distribution seldom exactly equalled the gross invoice amount on account of variations in bale weight, these discrepancies were negligible and tended to be compensatory.

In distributing payments, lots sold for outsiders or individuals offered no particular problem since such sellers either were paid a lump sum or drew directly on the purchaser. On the other hand, a very large number of checks was issued to members selling in pooled lots. This activity was under continual pressure from farmers anxious for their money and had to keep pace with sales to prevent dissatisfaction.

The distribution form used by the association was prepared in triplicate and was designed to permit enumeration of all details relative to the transaction (see Exhibit D, page 52). The member received the original and the first copy. The second copy was retained at the office as a permanent record. In addition to usual entries, the bale number, quality, and price were listed for each bale. Also shown were all deductions made from the gross amount due. This comprehensive account of all facts pertinent to the transaction greatly reduced inquiries from members concerning sales.

A separate check book was maintained for each block, the volume of business being divided as equally as possible between the two banks at Victoria. In issuing checks, certain deductions were made from the gross amount on the gin invoices. The brokerage fee of 35 cents per bale was collected in this way, and 5 cents per bale was withheld for the National Cotton Council except when members objected in writing, which was rarely.

Table 4. - An illustration of the method employed at the Victoria market in calculating individual bale prices for cotton sold in pooled lots, season 1940-41

Gin Invoice									
Columns --									
1	2	3	4	5	6	7	8	9	10
Member	Bale No.	Weight	Adjustment	Grade	Staple	Price	Total	Gin due	
			Points						
A	108	500	0	M.	1"	9.48	47.40		
B	109	490	+ 30	S.M.	1-1/32"	9.78	47.92		1/4 to land-lord
C	110	520	+ 20	M.	1-1/16"	9.68	50.34	6.58	
D	111	510	0	M.	1"	9.48	48.35		
E	112	480	- 40	S.L.M.	1"	9.08	43.58		
		2,500	+ 10				237.59		
$+ \frac{10}{5} = + 2 \quad 9.50 - .02 = 9.48 \quad \text{Sold to X and Co. at 9.50 cents per pound}$									
Gross invoice amount = 2,500 x 9.50 = 237.50									

In addition to these fixed items, collections were made if necessary for various creditors as follows:

1. Unpaid ginning charges due block ginner.
2. Rent for landlords.
3. Amounts payable on crop liens held by local banks.
4. Production credit payments to Government agencies.

Deductions made for ginner (column 9) and landlords (column 10) were obtained from notations on the gin invoices (table 4). Other collections were made in accordance with printed instructions and lists of liens provided by banks and Government agencies. This was an exacting and burdensome feature of operation, but this protection of interested parties was necessary to promote a free movement of cotton into the market.

Checks were written by one clerk and verified by another. The check numbers were then posted on the gin invoice opposite each bale entry.

Ginners obtained completed checks daily when delivering samples. Although most farmers got their checks at the gin, a number visited the market in person for this purpose -- particularly toward the end of the week when funds were needed to pay pickers. At times this practice diverted the broker from his regular duties and interrupted the normal procedure of the market.

Since many members waited to receive checks at the gins, it would have been more equitable for all members to follow this plan. On the other hand, members who followed the proposed plan of operation would have no occasion to visit the market.

It was obviously undesirable for farmers to visit the market for the purpose of selling as individuals. However, there were possible advantages to be derived from farmers having a first-hand knowledge of the operation of the agency. If the system of marketing was so organized that members could call at the office for checks and observe the selling process regularly without interfering with the efficient functioning of the market, they probably would have a better understanding of the marketing program and would retain a greater personal interest in the affairs of the association.

Delivery of Lots to Buyers

For the most part, the broker was able to make delivery of bales sold through the market to buyers without appreciable trouble or delay. In most transactions, delivery was made f.o.b. cars at ginning points. Bills of lading were obtained covering these loaded cars and were used in transferring title from seller to buyer.

All except 3 of the 15 block gins had rail facilities and lots from these points were offered f.o.b. cars. Most lots were sold before the actual bales had been moved into cars and placed under bill of lading. Buyers made such purchases with the understanding that bales would be loaded promptly and bills of lading forwarded without delay. By selling before bills of lading had been issued, the broker was able to distribute payments much more rapidly.

Ginners at rail points supervised the loading of cars and retained possession of all bales sold until placed under bill of lading. At most points ginners performed this service without cost to members.

After being loaded at the gins, the cars were hauled to the compress at Victoria, where the cotton was unloaded and held awaiting further shipping instructions from the buying firms. In selling in this way, members were not required to make a direct cash outlay for transporting lots to the compress, since purchasers assumed freight charges.

At the three gins having no rail facilities, bales were trucked to the Victoria compress by the ginners, the cost of this service being included in the ginning rate at the two closest points. These blocks delivered all lots to buyers at the compress and surrendered the warehouse receipts issued by the compress in transferring title to the cotton.

In regard to nonblock sellers, several ginners obtained reimbursement directly from the purchaser and handled all details pertaining to delivery themselves. Practically all nonmember farmers patronizing the market were required to produce bills of lading or warehouse receipts at time of sale.

Collection of Sales Accounts

Most details pertaining to financial matters were attended to by the bookkeeper. These duties included checking incoming bills of lading, invoicing sales, and drawing drafts for collection.

In following the usual routine, gin invoices were placed on the bookkeeper's desk after payment had been made to members. As soon as bills of lading reached the office, they were compared with listings on the corresponding gin invoices.

The sales invoice form used by the broker provided space for entering all necessary information relative to each transaction (see Exhibit E, page 52). It was prepared in triplicate, and a separate sales invoice book was maintained for each block.

The sales invoice amount was derived by multiplying the total gross weight of the lot by the bid per-pound price and adding the cost of bank exchange. After the sales invoice was completed, its number and date were entered on the gin invoice which was filed as a permanent record.

After a lot was invoiced, a draft was drawn on the purchaser for the net amount. The original and first copy of the sales invoice and the bill of lading were attached to the draft, which was then delivered for collection to the same local bank on which checks had been issued previously as payment to members.

PRICES RECEIVED

Since the association was organized to increase the cash income from cotton by members through improved production and marketing practices, the success of its operation must be judged primarily from a financial viewpoint. Although any profits accruing to members were influenced by yields per acre and production costs as well as by prices received from sales, marketing apparently formed the more important phase of operation and price was the only factor considered in this study.

As an aid in measuring the effectiveness of the marketing program, price data were obtained on 424 lots containing 4,893 bales. These data represented most lots for which returns were distributed on the basis of the official Government class.

Prices for Middling 15/16 inch and premiums and discounts for other qualities quoted at Houston, Tex., were used in analyzing prices returned to farmers at the Victoria market. 6/ In comparing prices at the two markets, attention was directed to: (1) Extent that prices differed for the same qualities; (2) variations in local prices from central market base prices according to changes in quality of local sales; (3) effect of size of lots on prices at Victoria, and (4) influence on local prices of the location of purchasing firms and number of bidders.

Relation of Victoria Prices to Houston Prices

Members were returned an average price of 9.39 cents per pound from the sale of these 4,893 bales whereas quotations at Houston for the same qualities averaged 9.66 cents or 27 points more than local prices (table 5). 7/ This discount of 27 points for local prices was about equal to freight and compression charges for shipping cotton from Victoria to Houston.

6/ Prices each day for Middling 15/16 inch at Houston were adjusted for daily average fluctuations in price for the near active futures contract of the New York Cotton Exchange. This adjustment was made by using the deviation between the average call price (opening, 11:00 a.m., 1:00 p.m., and close) and the closing price in that market each day.

7/ The 9.39 cents per pound was the net price returned after deductions had been made from the sale price for brokerage and the contribution to the National Cotton Council.

Table 5. - Volume of cotton sold daily at Victoria market, and prices paid in relation to prices quoted for same qualities at Houston, Tex., season 1940-41

Selling date	Lots sold	Bales sold	Average price		Average quality of local sales in terms of differences prevailing at Houston	Average price paid members	
			Paid members	At Houston, Tex., for same qualities		As related to Houston price for	As related to Houston prices for
						Middling 15/16 inch	same qualities
	Number	Bales	Cents per pound	Cents per pound	Points "on" or "off" Middling 15/16 inch	Points "on" or "off"	Points "on" or "off"
July 30	3	11	9.51	10.28	+ 54	- 23	- 77
31	6	15	9.49	10.34	+ 56	- 29	- 85
Aug. 1	6	44	9.59	10.25	+ 49	- 17	- 66
2	17	75	9.44	10.14	+ 45	- 25	- 70
3	9	35	9.41	10.19	+ 49	- 29	- 78
5	11	91	9.48	10.16	+ 50	- 18	- 68
6	6	45	9.42	10.02	+ 45	- 15	- 60
7	13	162	9.38	9.92	+ 42	- 12	- 54
8	18	223	9.51	9.93	+ 44	+ 2	- 42
9	16	204	9.51	9.96	+ 49	+ 4	- 45
10	17	128	9.44	9.87	+ 50	+ 7	- 43
12	13	148	9.57	9.97	+ 51	+ 11	- 40
13	12	178	9.58	9.79	+ 43	+ 22	- 31
14	14	234	9.60	9.75	+ 39	+ 24	- 15
15	12	269	9.67	9.73	+ 39	+ 33	- 6
16	13	215	9.62	9.72	+ 39	+ 29	- 10
17	20	227	9.61	9.78	+ 46	+ 29	- 17
19	8	55	9.58	9.85	+ 52	+ 25	- 27
20	8	188	9.64	9.66	+ 29	+ 27	- 2
21	10	132	9.42	9.55	+ 16	+ 3	- 13
22	11	190	9.46	9.58	+ 21	+ 9	- 12
23	15	230	9.41	9.62	+ 28	+ 7	- 21
24	15	235	9.31	9.41	+ 12	+ 2	- 10
26	8	103	9.11	9.41	+ 13	- 17	- 30
27	7	121	9.25	9.56	+ 30	- 1	- 30
28	13	251	9.12	9.45	+ 17	- 16	- 23
29	7	133	9.23	9.49	+ 20	- 6	- 26
30	12	159	9.30	9.53	+ 23	Even	- 23
31	9	77	9.18	9.53	+ 19	- 16	- 35
Sept. 3	8	65	9.11	9.48	+ 10	- 17	- 37
4	6	87	9.19	9.60	+ 17	- 24	- 41
5	12	124	9.12	9.54	+ 9	- 33	- 42
6	6	71	9.12	9.55	+ 15	- 28	- 43
7	8	61	8.91	9.22	- 8	- 39	- 31
9	3	11	9.08	9.15	- 10	- 17	- 7
10	5	29	9.00	9.03	- 25	- 28	- 3
11	7	62	8.96	9.05	- 25	- 34	- 9
12	7	38	8.89	9.03	- 28	- 42	- 14
13	5	32	8.86	9.15	- 15	- 44	- 29
14	5	29	8.87	9.12	- 14	- 39	- 25
17	5	34	8.97	9.05	- 19	- 27	- 8
18	4	15	8.69	8.90	- 39	- 60	- 21
19	1	18	9.12	9.01	- 30	- 19	+ 11
21	2	9	8.92	9.09	- 23	- 40	- 17
26	1	4	9.05	9.16	- 30	- 41	- 11
28	2	4	8.67	8.60	- 80	- 73	+ 7
30	1	3	8.72	9.03	- 37	- 68	- 31
Oct. 2	1	3	8.42	8.57	- 83	- 98	- 15
5	3	10	8.25	8.65	- 78	- 118	- 40
7	1	3	8.42	8.86	- 57	- 101	- 44
11	1	1	7.42	7.96	- 130	- 184	- 54
12	1	2	7.92	8.20	- 105	- 133	- 28
Total or average	424	4,893	9.39	9.66	+ 28	+ 1	- 27

If local cotton had moved principally to Houston and other ports in 1940, prices at the agency would have been exceedingly favorable as compared with those at Houston. During the 1940-41 season, however, many shipments were moved directly by rail to mills in the Southeast, and in such instances transportation charges from Victoria were not much greater than from Houston to the same destinations.

Also bales handled at the two markets were dissimilar with respect to bale tare. Prices at Houston related to normal tare (generally about 21 pounds for gin bales), but about 95 percent of bales included in the price summary were wrapped with cotton bagging and had a tare of about 14 pounds. Since buyers supposedly paid higher prices for this added net weight value, local prices apparently would have been somewhat lower if jute covered bales had been handled chiefly.

Although this seasonal average spread of 27 points "off" at Victoria did not appear particularly favorable, price levels between the two markets varied widely and local prices by days ranged from 85 points "off" to 11 points "on" Houston prices for the same qualities. Actually, local prices usually paralleled those at the Houston market rather closely during the period when receipts were the greatest.

From July 30 to August 13, prices at Victoria averaged 48 points below quotations for the same qualities at Houston (fig. 5). This wide margin gradually narrowed and probably originated in part from certain features of the price structure at Houston such as the usual transition at this time in trading from an old to a new crop basis and the low ebb of market activity.

On the other hand, prices were in close accord from August 14 to August 24, those at the agency averaging within 13 points of like quotations at Houston. This period witnessed the peak of local movement and about 40 percent of the bales included in the price data entered the market on these days.

As already described, members selling at the agency in pooled lots received prices based on the quality of individual bales according to a set of fixed differences. This method apportioned returns from each lot fairly equitably and the broker assumed responsibility as far as possible for selling lots at prices consistent with average lot qualities.

Most receipts at the agency were Middling or better in grade and from $31/32$ inch to $1-3/32$ inches in staple. According to quality differences prevailing at Houston, local sales averaged 28 points "on" Middling $15/16$ inch or about equal to a Middling $1-1/32$ -inch value.

More than three-fourths of the lots averaged 6 points "on" or more in quality (table 6). For the most part, prices paid at Victoria recognized quality as measured in terms of quality differences quoted at Houston.

On the average, however, no additional premiums were paid for lots having a value of more than 35 points "on". Also, price decreases for lots with discount values were consistently less than indicated by the average decline in quality. Deductions in value were largely because of grade and buyers at the agency penalized the lower grades to a lesser extent than shown by corresponding quotations at Houston.

Relation of Price to Size of Lots Sold

In planning the sales procedure, the association had stressed the desirability of selling in as large lots as possible. Selling rules had been shaped to permit handling in sizeable lots and, during the harvesting season, farmers were cautioned not to sell as individuals.

The 4,893 bales included in the price study were sold in 424 lots averaging about 12 bales per lot. In 1940, the size of lots sold at the agency had a significant bearing on the level of local prices as compared with those for the same qualities at Houston (table 7). Prices received for 1-bale sales were 33 points lower than were paid for lots containing more than 50 bales. Each increase in lot size, with one exception, showed a comparative gain of from 1 to 8 points. Farmers selling single bales separately averaged a loss of about 90 cents per bale by this action as contrasted with prices received for bales sold in lots of from 21 to 30 bales, the lot size including the greatest number of bales. Apparently buyers translated their expressed dislike for small lots into actual price penalties.

DAILY AVERAGE COTTON PRICES PAID MEMBERS AT THE
VICTORIA MARKET AND PRICES QUOTED FOR SAME
QUALITIES AT HOUSTON, TEXAS, SEASON 1940



FIGURE 5

Table 6. - Cotton prices paid members according to the average quality of lots sold at the Victoria market as related to Houston prices for Middling 15/16 inch, season 1940-41

Average quality of lots sold at Victoria in terms of points "on" or "off"	Lots sold	Bales sold	Average prices		Spread between local prices for lots of various qualities and Houston prices for Middling 15/16 inch
			At Houston, Tex., for members	Paid	
			Cents per pound	Cents per pound	Points "on" or "off"
56 "on" or more	42	307	9.57	9.46	+ 11
55 "on" to 46 "on"	73	919	9.58	9.44	+ 14
45 "on" to 36 "on"	70	988	9.51	9.36	+ 15
35 "on" to 26 "on"	67	1,047	9.48	9.36	+ 12
25 "on" to 16 "on"	37	419	9.30	9.35	- 5
15 "on" to 6 "on"	37	500	9.16	9.33	- 17
5 "on" to 5 "off"	28	288	9.09	9.33	- 24
6 "off" to 15 "off" ...	13	126	8.97	9.30	- 33
16 "off" to 25 "off" ..	15	116	8.99	9.32	- 33
26 "off" to 35 "off" ..	14	79	8.92	9.31	- 39
36 "off" to 45 "off" ..	4	26	8.90	9.31	- 41
46 "off" to 55 "off" ..	4	26	8.73	9.29	- 56
56 "off" to 65 "off" ..	6	20	8.56	9.36	- 80
66 "off" or less	14	32	8.37	9.35	- 98
Total or average ...	424	4,893	9.39	9.38	+ 1

Table 7. - Prices paid members for cotton sold at the Victoria market as related to prices for the same qualities at Houston, Tex., according to size of lots, season 1940-41

Size of lots	Lots sold	Bales sold	Average prices		Spread between local prices and Houston prices for same qualities	
			Paid members	At Houston, Tex., for same qualities		
	Number	Bales	Cents per pound	Cents per pound	Points "on" or "off"	
1 bale	48	48	9.23	9.65	- 42	
2 - 5 bales	91	311	9.16	9.53	- 37	
6 - 10 bales	109	838	9.28	9.62	- 34	
11 - 15 bales	70	889	9.35	9.63	- 28	
16 - 20 bales	35	608	9.40	9.71	- 31	
21 - 30 bales	46	1,117	9.46	9.72	- 26	
31 - 40 bales	16	576	9.43	9.61	- 18	
41 - 50 bales	7	311	9.53	9.70	- 17	
51 bales or more ...	2	195	9.69	9.78	- 9	
Total or average.	424	4,893	9.39	9.66	- 27	

Relation of Price to Market Outlets of Buying Firms

Prices paid by firms buying at the agency were affected to some extent by their market outlets for cotton. According to location, these firms formed three general groups: (1) Port firms, (2) firms situated in the southwestern interior, and (3) firms located at large interior spot markets in the Mississippi Valley (table 8).

Since port firms featured foreign accounts, the drastic reduction in cotton exports in 1940-41 curtailed demand from this type of merchants. These firms bought only a minor portion of the cotton sold at the Victoria market and made purchases chiefly when local prices were at a low level with respect to prices at Houston.

Table 8. - Volume of cotton purchased and prices paid by firms buying at Victoria market as related to prices for same qualities at Houston, season 1940-41

Purchasing firms located at --	Firms	Lots	Bales	Average prices		Spreads be-
	pur- chas- ing	pur- chased	pur- chased	Paid members	At Houston, Tex., for same qualities	tween local prices and Houston prices for same quality
	Number	Number	Bales	Cents per pound	Cents per pound	Points "on" or "off"
Port markets	2	60	484	9.47	9.84	- 37
Southwestern interior markets ...	8	231	2,369	9.35	9.65	- 30
Mississippi Valley interior markets ...	3	133	2,040	9.41	9.63	- 22
Total or average.	13	424	4,893	9.39	9.66	- 27

Buyers representing firms situated at interior towns in the Southwest bought 48 percent of the cotton sold at the market. On the average, these interior firms paid higher prices than did port merchants.

The remaining 42 percent was purchased by firms located in the Mississippi Valley. Prices paid by this group averaged 15 points higher than prices received from port firms and 8 points higher than those bid by interior companies in the Southwest. These firms had well established connections in domestic mill areas and bought freely at times in filling commitments. Apparently, members benefited to some extent from the fact that qualities sold at the agency were in demand by firms specializing in domestic accounts.

Relation of Price to Number of Bidders

In addition to information on prices, data were obtained from completed bid slips covering 368 lots showing the number of buyers bidding on lots and prices offered by each. This tabulation was not confined to sales of pooled lots and included a proportionate distribution of all types of deliveries by blocks.

Bids were submitted on most lots by two or more buyers (table 9). About 3 percent of the total baleage was sold on bids from only one buyer, and 30 percent of the total number of lots and bales were disposed of when three buyers were bidding.

Table 9. - Volume of cotton sales at the Victoria market, by the number of buyers bidding on lots and average price spread between bids, season 1940-41

Number of buyers bidding on lots	Lots purchased	Bales purchased	Average size of lots purchased	Average	Average
				price	price
				spread be- tween high and next high bid	spread be- tween high and low bid
	<u>Number</u>	<u>Bales</u>	<u>Bales</u>	<u>Points</u>	<u>Points</u>
1	23	160	7	-	-
2	106	1,084	10	10	10
3	109	1,438	13	7	14
4	88	1,282	15	6	18
5 or more	42	840	20	5	18
Total or average:	368	4,804	13	7	14

Tabulated from bids on file at the Victoria Cotton Improvement Area office.

The number of buyers bidding on lots of cotton offered for sale varied directly with the size of the lots. When the average size of lots was 7 bales, only one buyer bid. When lots averaged 20 bales each in size, five or more buyers were competing. Fewer buyers bargained for the smaller lots, since many were delivered at the beginning and toward the end of the season when fewer buyers were attending sales. Also, even during the rush season, the smaller lots attracted less interest; and at times some buyers withheld bids on such offerings.

Among the 345 lots sold when two or more buyers were bidding, there were identical high bids in 18 instances; and the extreme range between a high and low bid was 42 points. On the average, only 14 points separated the high and low bids, this spread increasing with the number of bidders. Where bids were entered by three or more buyers, the price spread between the high and next high bidder averaged only 6 points and decreased slightly as more buyers made offers.

Apparently the greater the number of buyers bidding, the more competitive was the pressure between those buyers most anxious to obtain the lot. On the other hand, the greater the number of buyers, the greater the spread between the high and low bids, since there was more chance that one or more buyers would have a different conception of quality or would not actually desire to purchase the lot except at a favorable price.

ATTITUDE OF GROWERS TOWARD MARKET

In the final analysis, the members of the association are the ablest judges of the effectiveness of the agency in returning satisfactory prices and in handling sales in an acceptable manner. Therefore, the extent to which members selected their own agency as an outlet instead of marketing elsewhere provided an excellent measure of the success of the sales program.

Information pertaining to selection of market outlets and factors influencing these choices was obtained by interviewing more than one-fourth of the entire membership. It is believed that a representative cross section of the membership was included in the survey because when the survey data were increased proportionately to the total block production, they were practically identical with data obtained from the records of the association.

During 1940, the 602 members of the 15 blocks ginned 11,399 bales (table 10). Approximately 8,100 bales were sold outright, the remainder being placed in the Government loan. Although members marketed only 52 percent of their total baleage at the agency, the approximately 5,900 bales they sold there were 73 percent of all their sales.

Table 10. - Disposition of cotton produced by member blocks of the Victoria Cotton Improvement Area, by available local market outlets, season 1940-41

				Disposition of 1940				
				1940-41:	crop			
Market outlets	:	:	cotton	:	Sold	Sold	Placed	Unsold
at ginning	Blocks:	Mem-	produc-	:	at	else-	in	at
points	:	bers	tion	:	agency	where	Govern-	date
	:	:	1/	:	:	:	ment	of
	:	:	:	:	:	:	loan	survey
	Number:	Number:	Bales	:	Bales:	Bales:	Bales	Bales
	:	:	:	:	:	:	:	:
None	8	331	4,746	:	3,719	395	629	3
Ginner	4	217	2,996	:	915	1,590	479	12
Other buyers ...	3	54	3,657	:	1,278	165	2,195	19
	:	:	:	:	:	:	:	:
Total	15	602	11,399	:	5,912	2,150	3,303	34

Based on a survey of farmers.

1/ Estimated by ginner.

Opportunities for selling at or near gins influenced somewhat the volume of sales made at the agency by members. According to local sales outlets, there were three groupings: (1) Blocks with no local outlets, (2) blocks where ginner bought, and (3) blocks with local street buyers available.

More than half the blocks had no means of selling at gin locations. Members in these blocks sold mainly at the agency, marketing 78 percent of total ginnings in this way.

An entirely different situation existed where members could sell at the gin. Less than one-third of the production of these blocks was marketed by members through the agency.

At ginning points where street buyers were present, farmers made little use of these local outlets. Most members in these blocks farmed on a large scale and, although practically all bales sold outright were delivered to the agency, six out of each 10 bales produced were placed in the loan.

Except at ginner-buyer points, practically all cotton not sold at the agency entered the loan. At ginning locations where ginner did not buy, 90 percent of all sales by members were made at the market at Victoria.

The number of bales produced by members also had some effect on their selection of marketing outlets. For all blocks, production averaged 19 bales per member. Ginnings by individuals varied widely, ranging from one to several hundred bales, but about one-half of the total baleage was from farmers producing more than 40 bales (table 11).

Table 11. - Volume of cotton marketed through selected outlets by members of the Victoria Cotton Improvement Area, by volume of farm production of members, season 1940-41

Number of bales produced by members	Outlets used in marketing 1940 crop					
	Total	Sold	Sold	Sold	Sold	Placed
	cotton	at	to	to	at	in
	mar- keted	Vic- toria	ginners	local	central	Govern- ment
		buyers	kets	loan		
	Bales	Bales	Bales	Bales	Bales	Bales
1 bale	4:	4:	-	-	-	-
2 - 5 bales	178:	158:	12:	8:	-	-
6 - 10 bales	1,001:	733:	202:	9:	-	57
11 - 15 bales	1,023:	496:	406:	36:	-	85
16 - 20 bales	1,121:	758:	215:	66:	-	82
21 - 30 bales	1,099:	718:	309:	47:	-	25
31 - 40 bales	1,232:	556:	226:	75:	-	375
41 - 50 bales	689:	333:	139:	108:	-	109
51 - 75 bales	881:	551:	-	18:	-	312
76 - 100 bales	1,531:	662:	11:	9:	-	849
More than 100 bales ..	2,606:	943:	120:	18:	116:	1,409
Total	11,365:	5,912:	1,640:	394:	116:	3,303

Based on a survey of members.

The agency was relatively more popular with the smaller producers. Farmers who harvested more than 50 bales sold 43 percent of their entire marketings through the agency, but members growing 10 bales or less disposed of more than 75 percent of their crops in this way.

Sales to ginneries were made in the greatest proportions by members in an intermediate group as producers.

Bales diverted to local street buyers and those sold at the central markets together represented only 6 percent of all sales. All sales at central markets were made, however, by members producing more than 100 bales.

In regard to the use made of the Government loan, members who produced more than 75 bales disposed of more than 50 percent of their bales in this manner. Farmers who grew 30 bales or less marketed 39 percent of the total production but accounted for only 8 percent of the bales that entered the loan.

Another item of interest was the number of farmers who selected each market outlet or combination of outlets and the number of bales marketed in these various ways. For this purpose, sales to local street buyers and at central markets were grouped together under the description "other buyers."

Approximately 6 out of every 10 members routed their entire crop through a single market outlet (table 12). Of this number who confined themselves to one outlet, about 72 percent chose the agency as a market outlet and practically all the remainder sold to ginners. Although the loan ranked second as a method of disposal, only a very few members used that outlet entirely.

There were 134 members who made no sales at the agency. These farmers marketed in several ways but sold 61 percent of all bales produced to ginners.

Considering only outright sales by members, approximately 70 percent of all sales at the agency and 84 percent of those to ginners were by farmers who selected either one or the other of these outlets exclusively. Apparently, many members decided upon a market outlet and followed this plan of selling throughout the season.

Among the 129 members who sold both at the agency and to ginners or other buyers also, the agency was the more popular outlet. Such farmers, testing the agency against other trade outlets, made more than three-fourths of all outright sales at the Victoria market.

These differences in attitudes of members toward available market outlets invited study of factors influencing farmers in choice of outlets. Members visited were asked to state the primary factor determining selection of each market outlet.

Table 12. - Volume of cotton marketed through selected outlets by members of the Victoria Cotton Improvement Area, season 1940-41

		Volume marketed by --						
Outlets selected for marketing 1940 crop	Members	Sale	Sale	Sale	Place		Total	
		at	to	to	ing			
		Victoria	Ginner	other buyers	in loan			
		Number	Bales	Bales	Bales	Bales	Bales	
Agency only	258	3,043	-	-	-	3,043		
Ginner only	91	-	1,135	-	-	1,135		
Other buyers only	4	-	-	44	-	44		
Loan only	6	-	-	-	290	290		
Agency and loan	81	1,074	-	-	1,158	2,232		
Agency and ginner	46	291	159	-	-	450		
Agency and other local buyers	37	318	-	97	-	415		
Agency, ginner, and loan	15	239	96	-	162	497		
Agency, other buyers, and loan	31	947	-	202	1,228	2,377		
Ginner and loan	19	-	250	-	317	567		
Other buyers and loan ..	14	-	-	167	148	315		
Total	602	5,912	1,640	510	3,303	11,365		

Based on a survey of members.

As would be expected, the belief that equal or higher returns were being received was the major consideration governing choice of outlets (table 13). Other factors, however, were instrumental in determining the marketing practices of many members.

Slightly more than one-half of the total number of bales sold through the agency by members was attracted by factors other than price, chief of these being the promise made at block meetings to support the sales program. Since this pledge had been entered into with neighbors to sell as a group, it carried the force of community approval and was considered binding by many members.

Table 13. - Volume of cotton marketed by members of the Victoria Cotton Improvement Area, according to outlets and factors influencing choice of outlets, season 1940-41

Factors influencing choice of marketing outlet	Outlets used in marketing the 1940 crop					
	Agency; Ginner; Other; Central; All buyers; local; market; Loan; outlets					
	Bales	Bales	Bales	Bales	Bales	Bales
Higher or equal returns.	2,912	271	19	45	2,449	5,703
Check on prices at						
agency	-	-	19	71	-	90
Reports of higher prices;						
last season	401	-	-	-	-	401
No other practical						
outlet	641	-	-	-	-	641
Pre-season promise	902	-	-	-	-	902
Advice of friends	163	-	-	-	-	163
Convenience	91	940	275	-	-	1,306
Payment based on bale						
qualities	163	-	-	-	-	163
Competitive nature of						
sales	457	-	-	-	-	457
Advantage of sale in						
pooled lots	175	-	-	-	-	175
Desire to do own						
selling	-	135	-	-	-	135
Need for immediate cash.	-	62	81	-	-	143
Distrust of procedure						
at agency	-	232	-	-	-	232
Equity in case of						
rising prices	-	-	-	-	854	854
Total	5,912	1,640	394	116	3,303	11,365

Based on a survey of members.

Another significant reason advanced was that the agency was the only practical outlet available. Members who assumed this attitude were confined to blocks without ginner buyers and were mainly those who farmed on a small scale.

Only 17 percent of the bales sold by members to ginner was marketed by farmers who believed that they had received equal or higher prices than obtainable elsewhere. The chief reason for selling to ginner was convenience. This method of sale represented the least trouble and provided immediate payment. The members so selling felt that the possible price advantage from sale at the agency would not compensate for the delay involved in waiting an added day or two for checks.

About 14 percent of the sales to ginner were by members who believed that the system followed at the agency did not sufficiently safeguard the interest of sellers. This fear was chiefly concerned with collusion between buyers and was confined to smaller producers.

Also, some members insisted on selling each bale in person and confirming the price at time of sale. When selling at the agency farmers did not know the prices bales brought until checks were received. This was too radical a departure from former customs for some producers.

Sales were made to street buyers largely because this was a convenient method of disposal. A majority of sales made at central markets represented efforts to obtain a check on prices being paid at the agency.

Bales were placed in the loan usually when loan values exceeded prices being paid through trade channels. About one-fourth of the cotton entering the loan, however, was from members who selected this outlet when loan values were slightly less than current market prices. They took this action in order to retain an equity in the cotton, with the hope of a later rise in price.

TENTATIVE MARKETING PLANS FOR 1941-42 SEASON

Another means of measuring the effectiveness of the marketing program was to ascertain the attitudes of members toward continuing sales at the agency in 1941. Operation in the one season could be termed highly successful only if most members desired to sell through the agency again next season.

During the survey made at the end of the marketing season, farmers were questioned as to plans for selling the following season. Such data were not regarded as a forecast of probable volume of sales by members, since various intervening events could alter opinions. Nevertheless, these facts provided an appraisal of attitudes of members immediately after participating in or observing a full season of operation.

According to outlets selected for outright sales, members formed three main groups in relation to the sales program: (1) Those using the agency only; (2) those selling at the agency and other outlets also, and (3) those choosing other outlets only.

On the whole, farmers favored the production program. Nearly 90 percent of all members planned to maintain affiliation with a one-variety block. Such objections as were offered largely centered around the selected variety and were confined principally to communities where yields were lowered appreciably by unfavorable growing conditions.

As to plans for marketing, most members already had formed definite ideas, although about 18 percent were still undecided (table 14). In general, most members apparently intended to select the same outlets as used the previous season.

Of the 339 members who sold only at the agency during the 1940 season, about three-fourths were well pleased with results obtained through group marketing and intended to sell in this manner again next season. Most of the discontented farmers were small producers. Their cotton represented only 13 percent of the total volume of cotton produced by the group and ginned only 8 bales each as against an average of 18 bales each by members desiring to continue sales.

Table 14. - Tentative plans of members of the Victoria Cotton Improvement Area for selling at the agency in 1941, by sales outlets used during 1940

Outlets used :		Plans for selling at agency in 1941							
in making :		1940-41:		Yes		Undecided		No	
outright :		Mem-:	produc-:	1940-41:	1940-41:	1940-41:	1940-41:	1940-41:	1940-41:
sales during :		bers :	tion :	Mem-:	produc-:	Mem-:	produc-:	Mem-:	produc-:
1940 :		bers :	tion :	bers :	tion :	bers :	tion :	bers :	tion :
		No.:	Bales	No.:	Bales	No.:	Bales	No.:	Bales
Agency only ...		339:	5,296:	259:	4,620:	51:	436:	29:	240
Agency and		:	:	:	:	:	:	:	:
other out-		:	:	:	:	:	:	:	:
lets		129:	3,740:	89:	3,159:	32:	500:	8:	81
Other outlets		:	:	:	:	:	:	:	:
only		134:	2,363:	13:	177:	24:	551:	97:	1,635
Total ...		602:	11,399:	361:	7,956:	107:	1,487:	134:	1,956

Based on a survey of members.

Also, nearly two-thirds of the discontented members had made no final decision relative to marketing their 1941 crop. Presumably some of these undecided farmers would ultimately sell again next season at the agency.

In the group that divided sales between the agency and other outlets, about 7 out of every 10 members had decided to sell at Victoria in 1941. As in the first group, members not favorably impressed were relatively small producers. Also, about 8 out of 10 of these farmers were undecided in their attitude.

Most farmers who made no direct use of the agency in 1940 probably will again use other market outlets in 1941. Of this group, only about 10 percent had been won over to the program by observing its operation, and an additional 18 percent were considering marketing through the agency in 1941.

Of the entire membership, 361 farmers preferred selling at the agency, 134 did not, and 107 were undecided as to what course to pursue. In 1940, 134 farmers made no sales at the agency, a total exactly equalled by the number who were definitely committed against sale there in 1941. Since 107 members, 87 percent of whom had sold at the agency in 1940, were undecided, certain features of the program apparently were unsatisfactory to a significant proportion of members.

In all, 241 members stated that they might not or would not sell at the agency. Of this number, 121 farmers had made no sales at the agency in 1940.

On the other hand, 120 of these members had sold at the agency and 30 percent were definitely opposed to selling there in 1941 (table 15). Since they were guided by actual experience, their criticisms reveal the basic causes of discontent.

Table 15. - Factors influencing members who sold cotton at the Victoria market in 1940 to consider discontinuing selling there in 1941

Factors responsible for dissatisfaction in regard to sales at agency in 1940	May not sell at agency in 1941		Will not sell at agency in 1941	
	Members: 1940-41		Members: 1940-41	
	production:		production:	
	Number	Bales	Number	Bales
Lower prices	11	64	4	11
Inefficient operation ..	7	131	7	72
Inability to confirm prices	19	163	8	81
Suspected collusion in bidding	13	331	8	24
Inconvenience and delayed payment	33	247	10	133
Total	83	936	37	321

Based on a survey of members.

Oddly enough, the question of price was relatively unimportant. Only one-eighth voiced the opinion that they received lower prices at the agency. Conditions causing dissatisfaction with selling at the agency were largely a duplication of those factors responsible for a number of members making no sales at the market in 1940.

The chief objection was that sales at the agency were inconvenient and referred mainly to the added delay of from 24 to 48 hours that usually elapsed between the time of ginning and the delivery of checks at the gins.

Next in importance was the suspicion that buyers were bidding by pre-arrangement. As these farmers were satisfied with prices at the agency, the implication was that this might happen and not that it did happen.

Another objection was that farmers could not confirm prices for pooled lot sales. Although it was not feasible for the broker to consult individuals before awarding such bids, some members disliked the fact that they could not specify the time of sale and verify the price.

In contrast to the probable loss of some former supporters of the marketing program, 37 members who did not participate in sales last year had planned to use or were considering the use of the market in 1941 (table 16). Nearly two-thirds of these members were undecided as yet but all were favorably impressed with the operation of the agency.

Table 16. - Factors influencing members who did not sell cotton at the Victoria market in 1940 to consider selling there in 1941

Factors responsible for farmers considering sale at agency in 1941	: Will sell at : agency in 1941		: May sell at : agency in 1941	
	: 1940-41 :		: 1940-41 :	
	: Members: produc-		: Members: produc-	
	: tion :		: tion :	
	: Number :	: Bales :	: Number :	: Bales :
Received lower prices through other outlets	13	177	17	135
Selling program deserving of support	-	-	4	332
Excellent record overcoming distrust	-	-	3	84
Total	13	177	24	551

Based on a survey of members.

All members who definitely stated that they would sell at the agency were attracted by the same inducement -- price. All were of the opinion that prices received through other outlets were lower than those returned to sellers at the market.

Most members who are considering sale at the agency in 1941 were also attracted by the higher prices paid at the agency. In addition, several large producers believed that the program deserved their support, since they had benefited in an indirect way from the operation of the market.

In summing up attitudes of farmers who were members in 1940, indications point to a probable but not considerable decrease in the number of members planning to cooperate with the sales program. This condition, however, would have little bearing on the total volume of sales at the market but only on its direct use by farmers. Most other sales by members were made to ginners who in turn resold through the agency.

Purchase of cotton from members by ginners created a perplexing situation. As long as this was continued, resale by ginners at the agency was welcomed since the added volume helped maintain sales at a desirable level. On the other hand, dissatisfaction of some members with the sales program resulted from certain aspects of ginner buying.

In purchasing from members, ginners usually handled bales on a narrow margin and paid prices but little under those prevailing at the agency. As a result of this price similarity, some members credited the association with improving the level of local prices. Unfortunately, others regarded this condition as an indictment of the agency's efficiency. Most of the so-called shortcomings of procedure at the agency related to practices that differed most widely from those customary in selling at the gins. Apparently some members were unwilling to accept these innovations unless the price gain was considerable.

FACTORS CONTRIBUTING TO GROWTH OF MARKET

From 1937 to 1940, marketing activities by cotton farmers in the vicinity of Victoria expanded from a small community venture to a central sales organization of more than county-wide scope. Obviously, this rapid growth was not accidental. In an appraisal of the causes for this development, the following factors appear to merit attention:

1. Organizational program.
2. Leadership.
3. Plan of operation.
4. Official classification.
5. Management.

Since the program attempted to increase income from cotton, it aroused the interest of farmers from the start. The proposed plan for achieving this goal by improving both production and marketing practices appealed to many farmers as being the most logical approach.

The organizational structure devised for effecting these improvements consisted of a central body which was merely a loose federation of closely knit community groups that ginned and marketed as separate units. This system of local control attracted many members. The idea of block ginning was especially effective in obtaining the cooperation of ginners. The ultimate response to this organizational plan resulted in an aggregate membership sufficient to deliver a moderate volume of cotton.

Another factor that influenced growth was the capable leadership available. The county agricultural agent in Victoria County, along with farm leaders, devoted unstinted time and effort in planning for and fostering the development of the association. No effort was made to expand the movement too rapidly in the early stages, but, as soon as farmers became interested through their own investigations, a sizeable part of the county was organized in one season.

Through the procedure adopted, the marketing process was actually shortened. By holding sales at a central location, bales were assembled at a saving to buyers. Since selling was conducted by competitive bidding, buyers tended to pass on such savings to the sellers.

The local classing office was an important factor in promoting growth of the movement. Since some farmers considered the existing delay in payment excessive, any added time required to obtain classification from a more distant source might have resulted in an additional number of farmers selling elsewhere.

Although the continuation of such classing facilities would be desirable in order to encourage progress in the improvement of local marketing practices, the number of bales produced by the members of this association is insufficient to warrant maintenance of an official classification service. The possibility of diverting to Victoria sufficient volume of cotton eligible for Smith-Doxey classification to justify maintenance of this service, might well be considered. A very much larger volume of cotton would be necessary in order to permit an adequate and properly supervised classification service on an economic basis.

After the preliminary steps of organization were accomplished, management seemingly played a major role in fostering expansion of the program. The broker, through long experience in the brokerage business and as a cotton buyer and shipper, was able to conduct sales in a very satisfactory manner. The association was exceedingly fortunate in that no expense was required in establishing a marketing center, as the broker owned a suitable building and necessary equipment.

Many local marketing organizations developed by farmers have failed on account of hasty or improper planning, an inadequate volume of business, or inefficient management. Apparently at Victoria these basic principles were not violated, although total sales there in 1940 probably approached the low limit required for successful operation. Another mistake attributed to many similar projects has been a disregard for other interests. At Victoria, ginners, buyers, landlords, and other business groups were consulted in regard to marketing plans and efforts were made to insure their good will.

SUMMARY AND CONCLUSIONS

The market of the Victoria Cotton Improvement Area at Victoria, Tex., is a current example of group selling by cotton farmers which has attracted considerable interest. During 1940, proceeds from sales at this market exceeded a half million dollars.

Organizational activities at Victoria attempted to increase income from cotton by improving both production and marketing practices.

Communities were organized as one-variety blocks to provide large-scale plantings of varieties producing higher yields and a more desirable quality of lint. Members were required to plant only the selected variety, and most blocks arranged for exclusive ginning privileges at a nearby gin.

In 1939, after 10 blocks had been organized in Victoria County, a central sales agency was formed for marketing the one-variety cotton cooperatively, so that premiums could be obtained for the improved quality.

The sales association operated as an informal federation, and authority was retained chiefly by the local units. Members were not required to pay dues.

Sales were conducted by a broker who supplied office quarters and facilities for conducting sales as well as for official classification. He paid all expenses of operation for a fixed fee, which was 35 cents per bale during 1940. This lack of financial risk and reduction of expenses to a definite figure encouraged use of the market.

Members in each block were to pool all ginnings daily and sell this cotton together in large lots. Lots from each block were sold separately as soon as possible after arrival at the agency to buyers who formerly purchased from ginners.

Samples were drawn by ginners and delivered to the office free of charge.

Farmers who sold in pooled lots allowed the broker to sell at his discretion as to time and price and those who followed the outlined procedure did not learn of the selling prices until they received their checks.

All blocks had applied and had been approved for the Smith-Doxey classing service, and a branch classing office was established at Victoria to permit first-hand observation of uses made of this class. Payments for sales in pooled lots were returned on the basis of the quality of individual bales as indicated by the official class.

In order to avoid interruptions to clerical work, members were to receive their checks at the gin.

As a means of increasing the volume of sales, nonmembers were allowed to sell at the market on the same terms as members.

In 1940, 15 blocks cooperated in the sales program, 11 of which were in Victoria County.

Sales at the market in 1940 totaled approximately 11,000 bales, of which about 7,500 bales were produced by member blocks. Only 58 percent of the cotton received from blocks was delivered by members in pooled lots as originally intended, since many farmers sold as individuals or to ginners.

Altogether, 5,900 bales were sold by members, and 1,600 bales were resold by ginners who purchased from members. Almost all of the 3,500 bales handled for nonmembers were delivered by ginner buyers.

Nearly three-fourths of total ginnings in Victoria County passed through the market. Ultimate expansion of the program would be somewhat limited, however, since cotton is not grown extensively in the market area.

Terms used in selling in 1940 were as follows: (1) Sale of lots by secret bids with each bid final as submitted but subject to rejection by the broker, (2) lots offered on press-box samples, (3) settlement according to gin weights, (4) delivery to buyers f.o.b. cars at ginning points, and (5) bank exchange paid by buyers.

Formerly buyers had bought cotton in this area from ginners on out samples. They had settled on compress weights and sellers had paid the bank exchange on drafts. The changes made were intended to reduce the time interval between ginning and receipt of payment by farmers and to increase the competitive position of the agency.

Buyers disliked these departures from former practices. They were opposed to purchasing on secret closed bids, since a bid once submitted was final and trading could not be reopened if a desirable lot was lost by a narrow margin.

Press-box samples were unpopular, as it was claimed that they were often rough in appearance, frequently were inadequate in size, and sometimes were not representative of the bales.

Purchasing on gin weights was regarded with disfavor since such weights apparently were not as accurate as those obtained at the compress.

Some buyers also disliked the considerable number of small lots offered for sale by individual farmers.

Most controversial terms could not be revised without sacrificing some of the advantages to be gained from group marketing. The broker did attempt to have ginner's revert to cutting samples from the bale, but the response to this request was negligible.

Of the 15 blocks, 12 covered bales with cotton bagging. Farmers generally disliked having the neat appearance of these cotton-covered bales damaged by cutting samples. Since the bales were later cut for samples, this concession could have been made without difficulty, and the use of cut samples apparently would have been more satisfactory.

In contrast to the objections made, buyers stated that the market allowed ready purchase of fairly uniform lots of desirable quality and that these sales at a central location eliminated some travel and reduced buying expenses.

Practically all sales were made to six buyers who possessed long and varied experience in the cotton business. The mature type of buyers who visited the market likely was a factor of some importance in the orderly functioning of the agency.

Lots received from members were sold generally without instruction as to price. On the other hand, most sales for outsiders were subject to confirmation.

About 91 percent of sales in pooled lots were distributed according to the quality of individual bales. The calculation of these prices and the writing of checks represented a sizeable task, but checks were returned to farmers usually within 24 to 48 hours after sale.

Most farmers complied with instructions and waited for checks to be distributed at gins. Some farmers, however, visited the market in person for checks, and at times this practice interrupted normal procedure at the agency.

Farmers who follow the proposed plan of operation have no occasion to visit the market. If, however, the procedure were so organized at the market that members could receive checks there and observe the selling process without interfering with the efficient functioning of the market, they probably would be less suspicious of methods used in establishing prices and have a more personal interest in the sales program.

As an aid to a free movement of cotton through the market, the broker collected unpaid accounts for ginneries, landlords, banks, and Government agencies.

According to data on prices covering 4,893 bales sold through the agency in 1940, farmers received an average price of 9.39 cents per pound for these bales compared with 9.66 cents for the same qualities at Houston.

Although this price discount of 27 points for the season at Victoria did not appear particularly favorable, during the peak of crop movement at the agency prices at the two markets actually ranged much closer together. During the period when 40 percent of sales were made, prices at Victoria were only 13 points under those at Houston.

Receipts at the agency, on the average, were equal to a Middling 1-1/32-inch value. For the most part, buyers recognized quality to an appreciable degree.

Prices varied considerably with the size of lots offered for sale. Buyers paid \$1.65 per bale less for 1-bale lots than for those including more than 50 bales.

Small lots were received chiefly from farmers selling as individuals. Even though these members were penalized in price, this practice of selling apart from the pooled lots probably should be further discouraged by a higher brokerage fee.

Members of the association produced about 11,400 bales. They sold 5,900 bales at the agency, 1,640 bales to ginneries, 510 bales to other buyers; and placed 3,303 bales in the Government loan. Of the 8,100 bales sold outright, 73 percent was marketed through the agency.

At ginning locations where ginneries bought cotton from members, farmers made only 37 percent of their sales at the agency. At points where ginneries did not buy, 90 percent of sales were made through the agency.

Of the 602 members of the association, 339 made all sales at the agency, 129 sold at the agency and through other outlets also, and 134 sold no cotton through the agency.

Although the largest proportion of sales at the agency were made because of higher prices, a considerable number of members sold there because they had pledged support to the program or had no other practical market outlet.

Few farmers who sold to ginneries believed that they received higher prices but selected this outlet because they desired immediate payment, were suspicious of collusion between buyers at the agency, or preferred to do their own bargaining instead of allowing the broker to represent them.

After participating in or observing a full season of operation by the agency in 1940, 361 farmers preferred to sell there again in 1941, 134 did not, and 107 were undecided as to where they would sell next season.

In all, 241 members stated that they might not or would not cooperate in the sales program in 1941. Of this number, 121 farmers had made no sales at the agency in 1940.

On the other hand, 120 of these farmers had sold at the agency in 1940 and 30 percent were definitely opposed to doing so again in 1941.

Very few were dissatisfied with prices paid at the agency, but they disliked the delay in payment, their inability to confirm prices or suspected that buyers bid by pre-arrangement at the agency.

About 28 percent of members who made no sales at the agency in 1940 were considering or had decided to use that outlet in 1941. Factors prompting this attitude were the higher prices at the agency and the belief that the agency deserved support because sales there had benefited the entire market area by raising the level of prices at all local points.

In general, the association has enjoyed rapid growth on account of capable leadership, efficient management, and a plan of operation that has shortened the marketing process and improved local marketing practices.

The temporary Government classing office also aided the program by allowing reasonably prompt distribution of returns on a quality basis. Although continuation of such classing facilities would be desirable in order to encourage progress in improving local marketing practices, the number of bales produced by members of this association is insufficient to warrant maintenance of an official classification service. The possibility of diverting to Victoria a sufficient volume of cotton eligible for Smith-Doxey classification to justify maintenance of this service might well be considered. A very much larger volume of cotton would be necessary in order to permit an adequate and properly supervised classification service on an economic basis.

So long as ginnerers resell through the agency, the indicated trend of more members selling to ginnerers would not affect the total volume of cotton handled through the market. This practice of indirect use by members, however, might in time transfer control of the market to other interests.

Exhibit A. - Gin Invoice of the Victoria Cotton Improvement Area.

Exhibit B. - Form
Used by Buyers in
Submitting Bids for
Cotton Offered for
Sale by the Victoria
Cotton Improvement
Area.

Exhibit C. - Confirmation sheet
executed by the broker of the
Victoria Cotton Improvement
Area for buyers making purchas-
es at the agency.

COTTON BROKER
VICTORIA, TEXAS

CONFIRMATION _____ 19 ____

Gentlemen:

We confirm sale for your account this date as follows:

Buyer _____

Number of Bales _____

Grade _____

Staple _____

Price _____

Terms _____

Reimbursements _____

Remarks: _____

Yours very truly,

By _____

THE VICTORIA NATIONAL BANK					88-255
NO. _____		VICTORIA, TEXAS, _____ 19____			
PAY TO THE		ORDER OF _____			
_____ DOLLARS					
Gin No.	Weight	Grade—Staple	Price	Amount	TOTAL \$
					Less
Victoria Cotton Improvement Area					
By _____					

Exhibit D. - Form Used by the Victoria Cotton Improvement Area
in Distributing Proceeds of Sales to Members
Selling Cotton through the Market.

Invoice No. _____

BROKER - - VICTORIA, TEXAS

Victoria, Texas, _____ 19__

Invoice of _____ Bales Cotton Bought By _____
 From Victoria Cotton Improvement Area; _____ Block
 Gin _____ Against Sale of _____ 19__, For
 _____ Bales @ _____ Actual Samples as Displayed.
 Terms _____

NUMBER	CLASS	WEIGHT	NUMBER	CLASS	WEIGHT	NUMBER	CLASS	WEIGHT	NUMBER	CLASS	WEIGHT
1											
2											
3											
4											
5											
6											
7											
8											
9											
10											
11											
12											
13											
14											
15											
16											
17											

GRADES AND STAPLE

TOTAL _____ lbs. at _____ \$ _____

CHARGES _____

TOTAL _____

Mark _____ Railway _____

Paid for by draft on _____ dated _____ 19__

Exhibit E. - Form Used by the Victoria Cotton Improvement Area
in Invoicing Cotton Sold to Buyers.

1
2
3
4
5

6
7

